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PLEASE PASS TO CODEL THOMPSON

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SUBJECT: SCENESETTER FOR CODEL THOMPSON, 10-11 APRIL 2007

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ACCORDINGLY.

¶1. (SBU) Summary: Ambassador Garza and Mission Mexico welcome you to Mexico City. Since his December 1 inauguration, President Felipe Calderon has taken several bold actions to confront the public security challenges facing Mexico: he has launched major military-backed surge operations against drug traffickers in nine of the most conflictive states; he has begun work on his campaign pledge to overhaul the structure of Mexico's national police, including by unifying several autonomous federal police forces; he is advancing the long process to achieve justice reform, including oral trials; and his administration has extradited to the United States 37 wanted criminals, including 4 drug king-pins. Calderon's initial actions in office reflect his commitment to continue and even intensify security-related cooperation with the United States, and his willingness to incur political risk in doing so.

¶2. (SBU) Summary continued: Your visit will demonstrate our support for bold Mexican leadership, reaffirm our security-related priorities with the new administration and our continued commitment to the Security and Prosperity Partnership (SPP) framework, and build on our relationship with Calderon's national security team. Given local sensitivities, it will be important to convey that we understand and appreciate that Mexico is engaging in security cooperation both for its own national interests and as a responsible neighbor. End summary.

Immigration

¶3. (SBU) Immigration remains by far the most sensitive issue in our bilateral relationship, one on which no Mexican politician can afford to be seen as capitulating. The Mexican public draws little distinction between documented and undocumented immigrants, seeing both as ordinary, hard-working people who have been driven to the United States by economic adversity. Many Mexicans perceive the U.S. concern with undocumented immigrants as hypocritical, since they fill jobs Americans are unwilling to take. For his part, President Calderon recognizes that immigration reform is a U.S. domestic matter that is largely out of his hands and dependent upon U.S. congressional action. He places great emphasis on creating opportunities and jobs for Mexicans inside Mexico. In your meetings with your Mexican interlocutors, we encourage you to address the prospects for immigration reform in the U.S., explain U.S. domestic political factors affecting the issue of migration, and help your Mexican interlocutors maintain realistic expectations.

Border Security

¶4. (SBU) The protocols addressing border violence that we entered into with the GOM last year on a trial basis in two sites have been successful. Informally, these protocols have been extended to cover the entire border in California and Arizona, and we would like to see them extended along the remainder of the border. Through these protocols, joint Border Violence and Public Safety working groups meet locally on a monthly basis to discuss incidents of and mechanisms to address cross-border violence (incidents of which are mounting).

¶5. (SBU) The SRE is quick to posture on incidents of violence against undocumented aliens: on February 8, it issued a press release calling for an investigation into the attack earlier that day by unidentified persons on a group of aliens near Tucson, that resulted in the deaths of three persons. Likewise, the occasional cases in which Border Patrol agents (often acting in self-defense) injure or kill undocumented aliens inevitably provoke a sharp reaction here.

Your visit can reinforce our message that we are concerned by the violence that is an unfortunate bi-product of illegal migration and that we need to work together to ensure safe, orderly and legal border crossings, while stemming the flow of illegal migrants.

¶6. (SBU) The proposed border fence is an extremely sensitive issue, and in public settings, GOM officials frequently posture on it. In this regard, minor incidents on the border, associated with infrastructure development, can quickly become public disputes. In early March, the SRE issued a press release condemning an "incursion" when U.S. border agents briefly entered Mexico to extinguish a brush fire that quickly spread from the northern side of the border. Should the issue arise, we believe it is useful to

MEXICO 00001688 002 OF 004

emphasize that improved border security measures are part of a broader immigration reform effort that is taking shape in the U.S.

Counter-Terrorism and WMD

¶7. (SBU) President-elect Calderon fully understands the depth of our concerns about international terrorism and the transformational effect of the 9/11 attacks on USG policy; his commitment to work with us to preempt terrorist activity or entry through our shared border is unwavering. With a strong foundation for joint counter-terrorism cooperation established, the GOM's commitment to the issue should be recognized. We are now making progress with the GOM in developing information sharing mechanisms. With respect to WMD, the GOM -- on its own initiative -- has requested our assistance in strengthening its detection capacities.

Drugs

¶8. (SBU) Mexico is a central partner in USG efforts to combat drug trafficking and other trans-border threats. The 2000-mile border, with its high-volume ports of entry, and Mexico's maritime waters and airports, are vulnerable to criminal penetration. As much as 80 percent of all the cocaine consumed in the United States transits Mexico. Mexico is a major source of heroin, methamphetamines, and marijuana, and the primary placement point for criminal proceeds from the U.S. into the international financial system. While taking aggressive measures to tackle the problem at home, President Calderon has also publicly urged the United States to boost our own efforts to drive down demand for narcotics and improve controls on arms, cash, and precursor chemicals smuggled into Mexico.

¶9. (SBU) A still-evolving draft bill in the Mexican Congress would, (i) authorize state and municipal police to enforce Mexico's drug laws, which until now have been the subject of

exclusive federal jurisdiction, (ii) stiffen penalties on drug dealers, and (iii) codify existing practice not to prosecute some first-time offenders found in possession of single-use quantities of drugs for personal use, on the condition that they obtain counseling. While we believe the first two provisions are extremely useful law enforcement tools, the third provision has generated some concern. On the other hand, it has been GOM practice not to prosecute those found in possession of small quantities of drugs for personal use, and the draft bill would make it clear that such an exemption from prosecution would only apply to first time offenders.

Facilitating Legal Trade

¶10. (U) Legitimate two-way trade in goods and services between the U.S. and Mexico reached more than USD 368 billion in 2006, over one billion dollars a day. Much of this trade passes through overtaxed facilities along our common border. Numerous studies and trade groups, including the private sector North American Competitiveness Council, have stressed that border facilities and procedures should be improved significantly to accommodate current trade flows and expected future growth. We can accomplish this by, inter alia: extending and/or synchronizing operating hours at U.S. and Mexican facilities at the same border crossing; sharing best practices among ports of entry; cutting back on redundant inspections; employing new technologies to track and speed the secure movement of cargo; identifying critical infrastructure investments needed on both sides of the border; and involving the private sector to make the North American supply chain more secure and efficient. At the March 2007 summit between President Bush and Calderon, both governments agreed to increase efforts to facilitate legitimate trade across the border. In response, the U.S. and Mexican governments already have each formed a senior level working group to make progress by the August 2007 Security and Prosperity Partnership (SPP) summit.

The Southern Border

¶11. (SBU) Mexico's southern border remains extremely vulnerable to illegal immigration, trafficking in persons, and the smuggling of all manner of contraband, including drugs/precursors. It is an issue of great concern to the GOM, which attributes its lack of success in dealing with the problem to the difficult local terrain; the lack of enforcement infrastructure; the historically informal nature

MEXICO 00001688 003 OF 004

of the border, particularly among local residents; and the inadequate border security efforts of its southern neighbors, Guatemala and Belize. Nevertheless, progress in securing Mexico's southern border is of vital importance in achieving our own security objectives. Calderon recently announced plans for a Safe Southern Border Program, designed to strengthen Mexico's law enforcement efforts in the south, improve treatment of illegal immigrants, and create a guest worker program for Central Americans. In your meetings, you may wish to inquire about the status of Mexican efforts to develop a comprehensive strategy to secure the southern frontier.

¶12. (SBU) Note: Historically, we have provided considerable assistance to help modernize and professionalize Mexican law enforcement institutions and operations throughout the country. In the coming years, the USG will complement the GOM's efforts at strengthening its control over the movement of persons and goods north from Mexico's southern border. We train thousands of Mexican federal and state police, prosecutors and investigators every year. The USG also provides substantial material assistance, such as computers and cargo screening equipment, to improve Mexico's law enforcement infrastructure. State Department/INL funding for

these and other types of training and assistance programs will decline by 25% by FY08 from FY06 levels. End note.

Trafficking in Persons

¶13. (SBU) Notwithstanding considerably increased GOM attention, trafficking in persons (TIP) remains a problem here: Mexico is a source, transit, and destination country for persons being trafficked for purposes of both labor and sexual exploitation. A federal anti-trafficking law passed the Mexican Senate in December 2005 by a vote of 95-0, but it has been stalled in the lower house of Congress. GOM officials and lawmakers have stated that passage of the law is a priority for the current congressional session. State, ICE and USAID have active assistance programs here for organizations fighting TIP, and to assist states seeking to draft their own TIP laws. In the last year, state legislatures passed anti-trafficking laws in Chihuahua, Guerrero and Michoacan. Within four months of passing the legislation, the Chihuahua attorney general's office already has initiated investigations into two TIP cases.

Consular Issues

¶14. (SBU) One of the clearest indicators of the deep links between our two societies is our consular workload in Mexico. About one third of all USG employees stationed in Mexico are dedicated to providing consular services. An estimated one million American citizens reside in Mexico and about 12 million visit every year. Most Americans rarely encounter problems here, but each year hundreds are arrested, assaulted, die, fall ill, or become destitute, and seek assistance from consular employees. More abductions of U.S. citizen children take place (in both directions) between the U.S. and Mexico than anywhere else in the world. The migration of U.S. citizen retirees to Mexico has provided impetus to improving property rights protections in Mexico, including the introduction of title insurance offered by U.S. insurance companies. The air phase of the Western Hemisphere Travel Initiative went into effect January 23 with few problems and 99 percent of U.S. citizen passengers bound for the U.S. carried passports. The land and sea phase, which will go into effect before June 2009, will present a greater challenge due to the fact that there may be as many as 700,000 U.S. citizens residing in Mexico without documentation who will need passports.

¶15. (SBU) U.S. Consular Sections in Mexico processed about 1.3 million nonimmigrant visa applications last fiscal year, including 114,000 temporary worker (H2) visas (71 percent of the world total), of which almost 35,000 were temporary agricultural workers (92 percent of the world total). There are no numerical limits on temporary agricultural worker visas and Mission Mexico stands ready to process much greater numbers of these visas if U.S. agribusiness chooses to make greater use of this program. All immigrant visas in Mexico are issued in Ciudad Juarez, where we processed about 86,000 immigrant visa applications in 2006, of which 54,000 were issued. This is the greatest number of immigrant visas issued to any one nationality in the world. This fluid legal movement of Mexicans northward, along with long-standing documented and undocumented communities in the U.S., make the US \$25 billion in remittances that Mexicans send home Mexico's second largest source of foreign exchange revenues,

MEXICO 00001688 004 OF 004

behind petroleum and now ahead of tourism.

Political and Economic Backdrop

¶16. (SBU) President Felipe Calderon is off to a strong start, demonstrating leadership at home and abroad in a manner much appreciated by Mexicans: although he won election

with a bare 36% plurality in a three-way race, a recent opinion poll showed that 58% of Mexicans approve of his performance to date. From the beginning, he has shown himself eager to build on an already strong U.S.-Mexico relationship. Calderon faces significant domestic challenges in pursuing his security, economic and social reform agendas, including a closely divided Congress. At the same time, he must chip away at the historic Mexican ambivalence toward the U.S. that has slowed progress on many common fronts, including security.

¶17. (U) President Calderon inherited a stable, growing economy tightly linked to U.S. economic cycles. Mexico chalked up an estimated 4.7% growth rate in 2006, rebounding from near zero growth in the first years of the decade. Real GDP growth is expected to slow to around 3.5% this year. Inflation has risen in recent months to around 4%, but is under control. Public finances have improved steadily in recent years, boosted by sound macroeconomic management and high oil prices. After crude oil revenues, remittances have become Mexico's second largest source of foreign exchange, ahead of foreign direct investment and tourism receipts. Remittances -- which support many of the poorest families in Mexico -- totaled \$23 billion in 2006, up 15% from 2005. Mexico's exports to the U.S. (which account for almost 90% of all Mexico's exports) continue to grow at double-digit rates. Many here are growing concerned, however, about Mexico's ability to compete in an increasingly globalized world, as it loses market share to India, China and other emerging economies.

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